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Summary of U.S. Economic Conditions

Increased investment spending and rising demand for consumer durable goods and for new housing fueled a strong recovery in the fourth quarter of last year. The momentum is expected to continue in 1994, bolstering industrial output, manufactures shipments, and new housing construction.

The U.S. Department of Commerce reported that real GDP grew at an annual rate of 5.9 percent in the fourth quarter of 1993, almost double the growth rate of the third quarter, and the largest quarterly increase in 7 years. Inflation (as measured by the GDP deflator) rose at a moderate rate of 2.2 percent in the fourth quarter and by 3.1 percent for the year. Overall consumer spending rose by 4 percent and consumer demand for durables increased by 14.3 percent from the third quarter.

Business investment spending on new plants and equipment, computers and other information-processing equipment, and advanced machinery for manufacturing rose 21 percent in the fourth quarter and by 11.7 percent for the year. New home construction grew 31.7 percent, the highest level in 17 years. Exports increased by 14.7 percent in the fourth quarter, but imports increased by 18.8 percent.

Business investment spending is expected to grow in 1994, encouraged by declining long-term interest rates and robust consumer demand. According to a Department of Commerce survey of business spending plans for 1994, business spending is expected to grow by 5.4 percent during the year to a level of $617 billion. This compares with a spending level of $585 billion in 1993. Manufactures plan a 3.8-percent increase in spending (in current dollars), following an increase of 3.1 percent in 1993.

Durable goods industries plan a record-high spending increase of 4.2 percent in 1994. The largest increases are planned in industries that have strong linkages, both forward and backward, to overall economic growth—blast furnaces, stone-clay-glass, electrical machinery and motor vehicles. Nondurable goods' industries plan a 3.4-percent spending increase in 1994, and nonmanufacturing industries (utilities, transportation, mining, etc.) plan a 6.2-percent increase.

The sharp rise in consumer demand for durables is expected to induce rapid growth in manufactures shipments in 1994. Inflation-adjusted shipments of manufactures are projected by Commerce to increase by 2.8 percent in 1994, up from 2.0 percent in 1993, and the fastest since the 3.4-percent rise in 1988. Durables shipments, driven by a 14-percent surge in shipments of pickup trucks, vans, and other light motor vehicles, will lead the way with an anticipated growth of 2.8 percent, the highest since the 5.9-percent gain in 1988.

Other industries are expected to show remarkable growth in 1994 due to rising consumer demand for their products. Increased demand for housing, for instance, has caused a strong recovery in the construction industry, despite the overhang of excessive commercial vacancies in prior years. The current dollar value of new residential housing put in place in 1993 increased by 8 percent from 1992. In 1994, residential housing starts are expected to increase by 4 percent to 1.3 million units.

Several services industries have also experienced strong expansion. Industries that according to Commerce projections are undergoing the fastest growth are linked to business equipment with computer-related and telecommunications services leading the way. Space commerce, a communications services industry, is projected to post a 23-percent growth in 1994, following a 9-percent growth in 1993. Information services, including data processing and network services, are projected to grow by more than 12 percent to $136 billion in 1994.

In addition, the health care industry is expected to be among the fastest growing industries in 1994. The Nation's health care expenditures have increased from 6 percent of GDP in 1965 to an estimated 14 percent in 1993.

Despite such prospects for growth, cost cutting will force corporations to add jobs cautiously in order to maintain profitability. Commerce projection shows that several industries with growth forecasts are expected to cut employment in 1994 rather than add to

payrolls. Electronic components, the second-fastest-growing industry, is expected to trim its work force by nearly 2 percent in 1994.

Beyond spurring domestic growth, rising U.S. demand for durable goods will have an adverse effect on the U.S. manufactures trade balance this year. Commerce reported that exports are projected to increase by 5.4 percent in 1994, compared with an expected rise of 6.7 percent of manufactured imports. By contrast, U.S. exports rose by 7.5 percent and imports grew by 6.5 percent in 1992, and both exports and imports increased by 5 percent in 1993.

U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

Economic Growth

The recent economic performance of several other G-7 countries is in stark contrast with the sound performance of the U.S. economy. Compared with the 5.9-percent annualized rate of real economic growth in the fourth quarter of 1993 in the United States, the comparable fourth-quarter figure was 2.8 percent in the United Kingdom; the comparable third-quarter figures were 2.4 percent in Canada, 2.6 percent in Germany, 2.0 percent in Japan, 0.5 percent in France, and -1.9 percent in Italy.

Industrial Production

Seasonally adjusted U.S. industrial production rose 0.7 percent (nominal terms) in December 1993, following a gain of 0.9 percent in November 1993. The fourth-quarter U.S. industrial output advanced at an annual rate of 7.5 percent compared with the comparable period of 1992. The acceleration in recent months was fueled by a sharp increase in the production of motor vehicles and parts, 4.9 percent in December, and 25.0 percent in the 4 months since August. Excluding motor vehicles and parts, U.S. industrial production grew by 0.5 percent in December. This gain reflected continued growth in the output of construction supplies, durable goods materials, and business equipment. For the year ending December 1993, industrial production increased 4.6 percent above its level in December 1992.

Reflecting such strong growth in output, industrial capacity utilization—in manufacturing, mining, and utilities together—grew by 0.5 percent to 83.5 percent in December 1993, following a gain of 0.7 percent in November. Capacity utilization in manufactures alone grew by 0.4 percent in December, following a 0.8-percent growth in November. From December 1992 to December 1993, industrial capacity utilization increased by 1.6 percent and capacity utilization in manufacturing alone increased by 1.9 percent.

For the year ending November 1993, several G-7 member countries reported annual declines of industrial production: Japan reported a decrease of 3.2 percent, Germany of 4.5 percent, France of 4.9 percent and Italy a decrease of 1.7 percent. Others reported annual increases: the United Kingdom an increase of 3.9 percent, Canada of 4.9 percent.

Prices

In the United States, the seasonally adjusted Consumer Price Index rose 0.2 percent in December 1993. The CPI advanced 2.7 percent during the 12 months ending December 1993.

During the 1-year period ending December 1993, prices increased 3.4 percent in Germany, 4.0 percent in Italy, 1.7 percent in Canada, 2.1 percent in France, 1.9 percent in the United Kingdom, and 0.9 percent in Japan.

Employment

In December 1993, the U.S. unemployment rate declined slightly to 6.4 percent from its November level of 6.5 percent. By comparison, unemployment in December 1993 was 9.0 percent in Germany, 11.2 percent in Canada, 11.7 percent in Italy, 9.8 percent in the United Kingdom, 12.0 percent in France and 2.8 percent in Japan. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Forecasts

Forecasters expect real growth in the United States to average around 3.2 percent in 1994. Factors that are likely to restrain the 1994 recovery include the impact of the Los Angeles earthquake on output and incomes; the general slowdown in foreign economic growth, particularly in Japan and in Germany and other EU (formerly EC) countries, which is expected to continue into 1994; and the ongoing cost cutting by corporations that will weaken employment and incomes. Although consumer spending has increased in recent months, forecasters expect it to rise at a slower rate, unless personal incomes keep rising strongly, and employment prospects improve sufficiently to encourage more spending. Also, the upcoming tax increase and the cuts in government spending could

have dampening effects on consumer spending and confidence, unless they are counterbalanced by monetary and fiscal expansion targeting more productive sectors.

Table 1 shows macroeconomic projections for the U.S. economy for January to December 1994 by four major forecasters, and the simple average of these forecasts. Forecasts of all the economic indicators except unemployment are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 6.6 percent in the first quarter, then a decline to 6.3 percent in the third and fourth quarters of 1994. Inflation (as measured by the GDP deflator) is expected to rise to an average of about 2.7 percent in the first quarter of 1994 and then subside to 2.4 percent. Productivity growth combined with a slow rise in labor costs, wages and compensations are expected to hold down inflation within the 2.4-percent rate throughout 1994.

Table 1
Projected changes of selected U.S. economic indicators, by quarters, Jan-Dec. 1994
(In percent)

Period	Business Fore-casting Project	Merrill Lynch Capital Markets	Data Resources Inc.	Wharton E.F.A. Inc.	UCLA Mean of 4 fore-casts
	GDP current dollars				
1994:					
Jan.-Mar.	6.6	5.4	6.3	5.7	6.0
Apr.-June	6.2	5.1	5.8	5.7	5.7
July-Sept.	5.9	5.5	6.0	5.9	5.8
Oct.-Dec	6.2	5.6	5.2	5.7	5.7
	GDP (*constant (1987) dollars*)				
1994:					
Jan.-Mar.	3.9	3.0	3.1	2.8	3.2
Apr.-June	3.8	2.8	3.2	3.0	3.2
July-Sept.	4.0	3.1	2.5	3.1	3.2
Oct.-Dec.	4.0	3.2	2.7	2.8	3.2
	GDP deflator index				
1994:					
Jan.-Mar.	2.6	2.3	3.1	2.9	2.7
Apr.-June	2.3	2.2	2.5	2.6	2.4
July-Sept	1.8	2.4	2.5	2.7	2.4
Oct.-Dec.	2.0	2.4	2.5	2.8	2.4
	Unemployment, average rate				
1994:					
Jan.-Mar.	6.4	7.1	6.4	6.5	6.6
Apr.-June	6.3	7.0	6.2	6.3	6.4
July-Sept.	6.1	6.9	6.0	6.3	6.3
Oct.-Dec	6.0	6.8	5.9	6.4	6.3

Note.—Except for the unemployment rate, percentage changes in the forecast represent compounded annual rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: January 1994.

Source: Compiled from data provided by the Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of $40.1 billion and imports of $50.2 billion in November 1993, had resulted in a merchandise trade deficit of $10.2 billion, which is $700 million less than the October deficit of $10.9 billion. The November 1993 deficit was 30.8 percent higher than the deficit registered in November 1992 ($7.8 billion) and 7.4 percent higher than the average monthly deficit registered during the previous 12 months ($9.5 billion). In January-November 1993, the trade deficit reached $108.8 billion, 43 percent higher than the January-November 1992 deficit ($76.1 billion).

Seasonally adjusted U.S. merchandise trade in billions of dollars, as reported by the U.S. Department of Commerce, is shown in table 2. Nominal export changes and trade balances for specific major commodity sectors are shown in table 3. U.S. bilateral trade balances on a monthly and year-to-date basis with major trading partners are shown in table 4.

Table 2
U.S. merchandise trade, seasonally adjusted, Oct.-Nov. 1993

(Billion dollars)

	Exports		Imports		Trade balance	
	Nov.	Oct.	Nov.	Oct.	Nov.	Oct.
Current dollars— Including oil	40.1	40.1	50.2	51.0	-10.2	-10.9
Excluding oil	39.5	39.6	46.2	46.6	-6.6	-7.0
1987 dollars	38.8	38.9	49.3	49.9	-10.5	-10.9
3-month-moving average	39.7	39.0	50.2	49.5	-10.6	-10.5
Advanced-technology products (not seasonally adjusted)	8.9	9.8	7.5	7.2	1.5	2.6

Source: *U.S. Department of Commerce News (FT 900)*, Jan. 1994.

Table 3
Nominal U.S. exports and trade balances, not seasonally adjusted, of specified manufacturing sectors and agriculture, Jan. 1992-Nov. 1993

Sector	1993 Exports		Change		Share of total, Jan.-Nov. 1993	Trade balances, Jan.-Nov. 1993
	Jan.-Nov. 1993	Nov. 1993	Jan.-Nov. 1993 over Jan.-Nov. 1992	Nov. 1993 over Oct. 1993		
	Billion dollars		*Percent*			*Billion dollars*
ADP equipment & office machinery	24.3	2.3	.2	0	5.8	-14.68
Airplane	18.8	1.5	-21.3	-16.7	4.4	15.50
Airplane parts	8.6	.8	.7	-5.8	2.0	6.25
Electrical machinery	33.6	3.1	13.7	-9.0	7.9	-9.06
General industrial machinery	17.9	1.6	5.3	-2.4	4.2	2.29
Iron & steel mill products	3.1	.3	-6.7	11.1	.7	-5.09
Inorganic chemicals	3.5	.2	-7.0	-41.0	.8	.60
Organic chemicals	10.2	1.0	-.1	7.8	2.4	1.61
Power-generating machinery	17.5	1.6	6.8	-1.2	4.1	1.88
Scientific instruments	13.9	1.2	6.0	-11.8	3.3	6.25
Specialized industrial machinery	16.1	1.5	5.2	0	3.8	3.81
Telecommunications	11.8	1.2	15.4	-4.8	2.8	-13.17
Textile yarns, fabrics and articles	5.4	.5	1.5	-5.9	1.3	-2.33
Vehicle parts	17.6	1.8	13.8	6.5	4.2	1.42
Other manufactured goods[1]	24.1	2.3	-3.2	9.3	5.7	-8.13
Manufactured exports not included above	105.5	10.4	9.2	-2.2	24.9	-94.15
Total manufactures	331.9	31.4	4.4	-3.0	78.5	-90.85
Agriculture	37.8	3.8	-1.7	0.5	8.9	16.15
Other exports	53.4	5.0	0.1	-3.0	12.6	-18.11
Total	423.1	40.2	3.3	-2.6	100.0	-108.96

[1] This is an official U.S. Department of Commerce commodity grouping.

Note.—Because of rounding, figures may not add to the totals shown.

Source: *U.S. Department of Commerce News (FT 900)*, Jan. 1994.

Table 4
U.S. merchandise trade deficits and surpluses, not seasonally adjusted, with specified areas, Jan. 1992-Nov. 1993
(Billion dollars)

Area or country	Nov. 1993	Oct. 1993	Nov. 1992	Jan.-Nov. 1993	Jan.-Nov. 1992
Canada	-1.02	-1.28	-.80	-9.93	-6.86
Mexico	.19	-.39	.39	1.55	4.84
Western Europe	-1.19	-.17	-.52	-1.67	6.58
European Union (EU)	-.84	-.02	-.20	-.83	9.08
Germany	-1.14	-.83	-1.01	-8.63	-6.61
European Free-Trade Association(EFTA)[1]	-.40	-.26	-.43	-2.83	-3.92
Japan	-5.72	-6.10	-4.75	-54.02	-44.50
China	-2.12	-2.66	-1.69	-21.47	-17.16
NICs[2]	-1.32	-1.24	-.96	-11.53	-13.13
FSU[3]/Eastern Europe	.27	.24	.47	2.35	3.22
FSU	.27	.16	.39	1.66	2.80
Russia	.23	.11	.19	1.01	1.55
OPEC	-.73	-.73	-1.22	-12.01	-10.21
Trade balance	-11.62	-12.64	-8.64	-108.95	-77.23

[1] EFTA includes Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.

[2] NICs includes Hong Kong, the Republic of Korea, Singapore, and Taiwan.

[3] Former Soviet Union.

Note.— Because of rounding, country/area figures may not add to the totals shown. Also, exports of certain grains, oilseeds and satellites were excluded from country/area exports but were included in total export table. Also some countries are included in more than one area.

Source: *U.S. Department of Commerce News (FT 900)*, Jan. 1994.

INTERNATIONAL TRADE DEVELOPMENTS

Resolving the U.S.-China Textile Dispute

Another crisis in trade relations between the United States and China ended on January 17, 1994, when the two countries were finally able to reach a new agreement covering U.S. imports of Chinese textile products. Negotiations had failed over 9 months to resolve major issues before the 1988 bilateral textile agreement with China expired at yearend 1993. Thus United States Trade Representative (USTR) Mickey Kantor directed the U.S. Customs Service to unilaterally lower the quantitative import limits (quotas) applicable to the 88 fabric and apparel categories that the agreement had covered. This action would have led to the value of China's exports to the United States in 1994 being reduced by an estimated $1.1 billion. China immediately responded by threatening retaliation.

The unilateral cuts were ordered because China's textile shipments to the United States have by far exceeded quota limits. For most categories, the new quotas were to be set at levels 25 percent lower than those in effect in 1993 and they were to be set at levels 35 percent lower for a few categories in which shipments were the most excessive. The cuts were to become effective January 17, but were announced on January 6, to give China the opportunity to reopen negotiations and to respond to U.S. interim demands. The new 3-year agreement, concluded as the deadline for imposing the punitive quotas was imminent, contains nearly all the provisions the United States had sought.

Illegal transshipments are the primary problem addressed in the new textile agreement. Transshipments are goods that are disguised, through false labeling and other means, to appear as if they were manufactured in a country other than China. The goods are often shipped to a third country for the sole purpose of reshipping them to the United States under that third country's name. The transshipment problem is of particular concern since, during the last 3 years, U.S. Customs has gathered evidence that the value of those Chinese textiles and apparel entering the U.S. market via illegal transshipments through third countries totals about $2 billion annually. The evidence indicates that the transshipments are taking place through at least 25 countries, and China is known to have utilized transshipment points as widespread as Europe, Asia, Africa, and Central and South America. The import categories found to have the largest volume of transshipments by China are mainly those covering knit shirts, sweaters, underwear, cotton trousers, and shop towels.

Under the new agreement, a consultation mechanism has been established to address specific instances of transshipment. If bilateral consultations do not produce a satisfactory solution to the problem, the United States then will have the right to make adjustments to the quotas. For repeated offenses, the charges against a specific quota can be up to three times the amount transshipped. The agreement also includes a provision that gives U.S. officials the authority to make unannounced visits to Chinese textile and apparel factories to aid in enforcement of the agreement.

Overshipments, or shipments that exceed quota limits, are another significant problem addressed in the new agreement. During 1990-93, annual overshipments occurred in more than 50 percent of the textile categories subject to limits, indicating that China is not meeting its legal obligation under the agreement to issue export visas only for the amount of goods for which it has quota. Much of this overshipment results from the use of fraudulent visas. Counterfeiting, the faking of branded U.S. and other apparel, is also a prevalent practice, especially by factories in the south of China. In the agreement, the Chinese Government is committed to strengthening its enforcement procedures, and the inspection provision is also expected to help reduce overshipments and counterfeiting.

Prior to the new agreement with China, the United States had already incorporated similar provisions to control transshipments and overshipments into its bilateral textile agreements with 16 countries. Among these other countries, South Korea is the only major textile supplier to the U.S market, but negotiations are

underway to add such provisions to new agreements with Taiwan and Macau.

The agreement with China calls for no increase in quota levels in 1994 and for an overall 1-percent increase in the quantity imported during each of the next 2 years, whereas the previous agreement allowed China to increase its textile shipments to the U.S. market by an average 4.4 percent annually. For those categories under restraint in the previous agreement, the lower quota levels will result, according to a USTR spokesman, in a reduction in China's access to the U.S. market by 13 percent or approximately $700 million over the life of the agreement. Ambassador Kantor noted that "this reduction is entirely justified given the substantial transshipment and overshipments that have occurred in violation of the previous agreement."

The new agreement also imposes, for the first time, a limit on imports of silk and mostly silk-blend apparel from China. U.S. imports of silk apparel from China have been rising rapidly in recent years, from $220 million in 1989 to $1.0 billion in 1992 and to an estimated $1.9 billion in 1993. As a result, the falling prices of these imports, consisting mainly of shirts and blouses, have seriously affected U.S. producers of similar cotton and manmade-fiber apparel. The new quotas on the silk and mostly silk-blend apparel categories allow for an overall 1-percent increase in quantity during each of the 3 years of the agreement.

Even if the punitive unilateral quotas announced in early January had been put into effect, China would still have been our largest textile supplier. The value of China's textile and apparel shipments to the United States (not counting illegal transshipments and overshipments held in Customs warehouses) totaled $5.3 billion in 1992 and, on the basis of data available through November, increased to about $6.5 billion in 1993. Nearly 80 percent of all Chinese textile products entering the U.S. market consist of apparel items, and Chinese apparel imports currently account for about 18 percent of the value of U.S. apparel imports from all sources.

Mexico's Long-Awaited New Foreign Investment Law

In December 1993, the Mexican Congress approved a long overdue new foreign investment law, effective December 28. The 1993 summer congressional session, which can be credited with passing many other pieces of legislation, had withheld this particular one, due to the uncertainty of the North American Free-Trade Agreement (NAFTA's) prospects at the time.

The new Foreign Investment Law replaces the "Law to Promote Mexican Investment and Regulate Foreign Investment" (LFI) of 1973, which was generally considered hostile to foreign capital. Under the LFI, foreign investment had been excluded from a wide range of economic activities, and in areas where it was permissible, foreign ownership had been generally limited to 49-percent. In the early 1980s, when attracting capital from abroad was seen once again as desirable for Mexico, the LFI was applied in an increasingly flexible manner. The LFI was first modified in 1984 during the administration of President de la Madrid, allowing majority ownership in selected activities.

In May 1989, the Salinas administration put LFI-implementing regulations into effect, which amounted to a sweeping liberalization of the country's foreign investment regime. The 1989 regulations formalized many liberalizing procedures that had been already in place for some years, such as facilitating the approval process for foreign investment, and greatly expanding the number of economic areas in which majority-foreign ownership was allowed. For example, the 1989 regulations opened state banks to limited foreign participation for the first time, and raised the allowable level of foreign participation in the insurance industry. With its much more liberal treatment of foreign investment than the original LFI provided for, Mexico was succeeding in attracting considerable foreign capital flows, even though the 1973 LFI has remained on the books.

The United States, the largest foreign presence in the Mexican economy, accounts for some two thirds of accumulated direct foreign investment in Mexico. In 1992, the United States was responsible for 63 percent of overall direct foreign investment flows to that country. Nonetheless, many areas of economic activity of substantial interest to U.S. investors—petroleum, petrochemicals, mining, transportation equipment, auto parts, and services, including most financial activities—remained reserved to Mexican nationals. Long-standing U.S. objections to Mexico's foreign investment regime have become an enduring issue of contention between the two countries. Although, as stated, Mexico had liberalized many of its restrictions through successive regulations beginning in 1984, U.S. investors continued to face the risk that these measures could be withdrawn any time, and leave the LFI to prevail. On these grounds, the United States called for a repeal of the 1973 LFI and insisted that the regulatory changes that followed it should be made permanent, i.e. codified in a new law.

The differences between the two countries on foreign investment were resolved in the NAFTA, effective January 1, 1994. The NAFTA commits both partners, as well as Canada, to extend national

treatment to each other's investments in most areas, subject to specified conditions. The NAFTA phases out the applicability of Mexico's widespread "performance requirements" from investors from partner countries that have frequently discouraged and antagonized U.S. investors in the past.

The new Foreign Investment Law attempts to strike a balance between Mexico's need to attract foreign investors, and the country's continued wish to preserve domestic control in key sectors. The law codifies the terms agreed to in the NAFTA, extending national treatment not only to NAFTA partners but to foreign investors from third countries as well, subject to specified limitations. Mexican officials have frequently emphasized that they wish to diversify foreign investment, and they are actively pursuing investors from Japan, other Far Eastern countries, Europe, and other areas.

The new law opens up most economic activities to 100-percent foreign ownership, and requires prior approval by the National Foreign Investment Commission only if the value of a proposed investment exceeds $100 million. In other economic areas previously reserved for Mexicans, the law allows minority foreign ownership or, if approved by the National Foreign Investment Commission, even majority ownership. Activities to which foreign ownership ceilings still apply include cooperative production (10 percent), air-transport (25 percent), insurance and some other financial services (49 percent), certain railroad services such as locomotive and track maintenance, and signalization (49 percent), warehousing and shipping entities involved in domestic maritime navigation (49 percent), production of automobile parts, equipment and accessories (49 percent). The new law removes "performance requirements" from foreign investors—such as specified export levels, capital controls, trade balancing, and minimum domestic content—in line with commitments made previously to partners in NAFTA.

However, Mexico's Foreign Investment Law is not an automatic extension of NAFTA provisions to all countries. For example, under NAFTA, financial services in commercial banking and stock brokerages may gradually open up to wholly owned subsidiaries from partner countries. By contrast, for all other foreign investors 30-percent equity participation is the limit. Notably this distinction became an issue between Mexico and the Organization for Economic Cooperation and Development (OECD) because some OECD officials objected to discrimination by Mexico against non-NAFTA OECD members. The matter is being discussed between Mexican and OECD officials in the context of Mexico's request for accession to the OECD, which is now under consideration.

Notably, the new law also allows Mexican subsidiaries of foreign corporations and Mexican companies with foreign participation to buy land for industrial and commercial purposes along the border and coastlines. Previously, these areas had been reserved to Mexican companies only, although complex trust and stock ownership arrangements made investment possible for foreigners even then. The change in the new law will establish legal security for foreigners interested in investing in beach hotels and in developing industrial and commercial real estate in these previously excluded regions.

Segments of the economy that continue to exclude foreign investors are extraction of petroleum and other hydrocarbons; production of basic petrochemicals; generation of electricity and nuclear energy; mining of radioactive materials; communications by satellite; telegraphic and radiotelegraphic services; mail; railroads; printing of money and coinage; control, inspection, and surveillance of maritime ports, inland ports, airports and heliports. Most of these exclusions are mandated by Mexico's Constitution of 1917.

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SPECIAL FOCUS

Foreign Investment in Former Communist Central Europe: U.S. Firms Play a Vital Role

By the end of 1993, foreign capital invested in the Czech Republic, Hungary, Poland, and Slovakia, the signatories of the Central European Free-Trade Agreement (CEFTA), reached an estimated $12 billion. (For a description of the agreement, which has been in effect since March 1, 1993, see *IER*, August 1993.) At the end of 1993, foreign capital investment in the CEFTA countries represented roughly four-fifths of the total investment in the entire former Eastern bloc. (In addition to the CEFTA countries, the former Eastern bloc includes Romania, Bulgaria, the Baltic states, and the former Soviet republics.) The capital inflow was an estimated $3.4 billion during 1993, compared with $2.6 billion during 1992. According to the Bank of International Settlements (BIS), no other region of the world has registered a stronger inflow of capital during 1990-93. Based on announced capital commitments by major corporations, the momentum of inflow into the region will continue during 1994.

Currently capital invested in the regional stock markets is minuscule, but it is slated to grow. According to PlanEcon, Inc., since mid-1993, a limited number of Western market investors have made 10 to 20 percent monthly returns in dollar terms on the Budapest, Prague, and Warsaw stock markets. (Foreign interest in the Bratislava stock market, which began to operate in mid-1993, is expected to grow during 1994.) During the last quarter of 1993, the average price to earning (P/E) ratio (the price of stock divided by the issuing company's earnings per share for a 12-month period) exceeded 20 on the 3 markets.[1]

Washington embassy officials of the four countries assert that data on capital inflows into their respective countries are sparse. Since most foreign investment in these countries is no longer subject to approval by the state, the regional governments themselves must estimate the level of capital inflow and its distribution by sectors.[2] The OECD is currently working with the governments of the former Eastern bloc to develop a system of standardized statistical reporting on foreign investment in these countries.

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[1] At the end of 1993, the average composite P/E ratio on the New York Stock Exchange was 23.42.

[2] See later for details on each country.

U.S. Companies Play a Vital Role

In contrast to the widespread view in the United States that U.S. firms, preoccupied with short-term profits, are easily outcompeted by the far-sighted West Europeans and Japanese abroad, the CEFTA countries recognize U.S. firms as the most dynamic investors of long-term capital in the region. With a cumulative investment of $4.2 billion, the United States leads other countries in making foreign investments in the region. Germany is in second place, followed by Italy and Austria. Thus far, the CEFTA region has tended to attract large manufacturing investments from the United States and Italy and smaller investments in trade and services from Germany and Austria. Examples of large manufacturing investments from the United States are those of the General Motors Corp. and Ford Motor Co. in Hungary and the investment of the International Paper Co. in Poland. Examples of firms with large manufacturing investments from Italy are Fiat and Luccini Siderurgica S.p.A. in Poland.

U.S. brand names are making headway in the CEFTA countries. Subsidiaries of traditional U.S. rivals (for example, General Motors Corp. and Ford Motor Co. Coca-Cola Co. and Pepsico, Inc.) continue to compete in this new, emerging market place. U.S. companies compete for every major bid. For example, in Hungary, four international consortia were competing for 30 percent of the shares of the country's telecommunications company, MATAV. A U.S. company participated in each consortium: Ameritech Corp., Bell Atlantic Corp., General Telephone and Electronics, Inc. and U.S. West, Inc. On December 17, 1993, the Deutsche Telecom-Ameritech consortium won the bid, dubbed as the largest privatization deal in the former Eastern bloc thus far, and the third-largest anywhere. Many prestigious American law firms and accounting offices have set up operations in the CEFTA countries. Typically subsidiaries of U.S. companies in Western Europe establish and supervise spin-off subsidiaries in CEFTA capitals. From a statistically negligible level in 1989, per capita U.S. direct investment in the CEFTA region increased to an estimated $65 by the end of 1993. (The comparable number for the European Union (EU) was $578.)[3] The CEFTA countries are, and for some time will remain, in the forefront of attracting private U.S. foreign investment in the former Eastern bloc.

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[3] Foreign Direct Investment (FDI) is defined as capital sent abroad to a firm in which the investor owns at least 10 percent of the shares. FDI takes the following forms: In-kind investment (the delivery of machinery and equipment to the site of operations), equity investment (the purchase of shares), and working capital deposited through the banking system.

The Forces Pulling Capital Into the CEFTA Region

The region, which itself is in the process of becoming a unified market, is ideally located to serve as a staging ground for exports to Western Europe. Each of the CEFTA countries has concluded a free-trade agreement with the EU and with members of the European Free Trade Agreement (EFTA). Both sets of agreements are already in the first phase of their implementation. This circumstance portends not only an opportunity for U.S. firms to make profitable investments in the CEFTA countries but also forces them to get established in the region. Without manufacturing bases in the CEFTA countries, many U.S. companies would be squeezed out by European firms from these markets, as tariff walls between the CEFTA countries and their European partners are dismantled. Fear also lingers that tariff reductions among the CEFTA countries, as well as between each of them and other European nations, could prompt them to raise tariff or nontariff barriers against non-European suppliers.

The CEFTA countries are also ideally located to serve as bases for exports to the currently dormant, but potentially gigantic market represented by the rest of the former Eastern bloc. On a bilateral basis, each of the CEFTA countries is expanding its commercial relations with the countries of this area. Firms from the CEFTA countries have even begun to invest in firms in the Baltic States, Russia, and Ukraine.

Among the countries of the former Eastern bloc, the CEFTA countries have made the greatest progress toward building a market economy and creating democratic political institutions. They are also the first countries to see their economies recover from the worst economic downturn since World War II. After 4 years of consecutive declines, the real GDP grew by an estimated 5 percent in Poland during 1993. Although aggregate production levels stagnated in the Czech Republic and Hungary during 1993, projections for 1994 indicate positive economic growth in both countries. Slovakia is behind its three partner states on the path to economic recovery. The country's real GDP declined by over 6 percent during 1993, but the decline is expected to slow considerably during 1994.

The ongoing modernization and structural transformation in the industries of the CEFTA countries demand a continued, massive infusion of technologically advanced capital goods and Western-style techniques of management and marketing. This strong demand is expressed in the relatively low prices that the CEFTA states charge for their assets in the course of privatization. Moreover, the recurrence of large, current account deficits creates an urgent need for convertible currencies in the CEFTA countries. This need, in turn, exerts an additional downward pressure on asset prices. The low prices are combined with the availability of highly skilled and relatively cheap manpower throughout the region.

Progress in market economic reforms and the recognized need for foreign capital have resulted in an increasingly attractive financial and legal framework for foreign investors. The currencies of all four countries enjoy current account convertibility. (That is, they can be exchanged to import or repatriate earnings on investments.) In all four countries, the transfer of profits earned in convertible currencies or in the respective local currency is unlimited. Foreign investors are entitled to full ownership of enterprises, and as mentioned earlier, the requirement for government approval has been abolished for most types of foreign investments in the region. A permit is required when the proposed activity could have an adverse effect upon the environment or public safety, involves utilities (for example, transportation, telecommunications) or activities generally considered the government's domain (for example, national defense).

Although the influx of foreign firms in the CEFTA countries unequivocally proves that real opportunities exist in the region, some major constraints must be eliminated before the full potential of foreign capital investment can be unleashed.

Constraints to the Inflow of Capital

In various surveys, business executives indicated many factors that either limit their firms in making capital commitments or totally discourage them from undertaking acquisitions in the CEFTA region. Companies operating in the region often cite a vacuum in business linkages, a legacy of the previous, nonmarket economic system. During the communist era, large, state-owned firms established their own interfirm linkages for the supply of parts or services. Since 1989, bankruptcies and privatization have wiped out these linkages without giving enough time for the emerging market economies to develop the networks of small-and mid-size suppliers and subcontractors that are prevalent in market economies.

The unavailability of financing to develop new and to expand existing projects is a further constraint. Commercial banks and investment funds in the developed countries, and international financial institutions, such as the World Bank and the European Bank for Reconstruction and Development, provide only a fraction of the capital demanded by firms intending to invest in the CEFTA region.

Consequently, many firms have to depend on their internal cash flows to make acquisitions.

The fragile macroeconomic situation in the CEFTA countries and the incompleteness of market reforms have also been cited as constraints to the inflow of capital. Foreign firms often complain about the relative underdevelopment of the banking system and the lack of clarity in property rights. They also complain about the employment, customs, and environmental policies of the host governments. Regarding environmental policies, foreign firms take a particular exception to carrying a disproportionate burden in financing the elimination of ecological damages that occurred before their arrival. Firms wanting to locate in the former Eastern bloc countries, in general, are often advised to make their own environmental audit around the sites of their operations to avoid being confronted with unexpected liabilities.

The following is a country-by-country description, indicating the level of total and U.S. investments, and the major characteristics of investment laws designed to attract foreign capital.

Hungary

At the end of 1993, foreign capital invested in Hungary amounted to roughly $7.0 billion. The distribution of capital was as follows: Industry (66 percent), service sector (15 percent), trade (14 percent), and banks (5 percent). With investments totaling $2.5 billion, firms from the United States led those from Germany and Austria in bringing capital to the country. The largest U.S. investors are General Electric Co. ($350 million), General Motors Corp. ($250 million), Ford Motor Co. ($123 million), Guardian Industries, Inc. ($120 million), and Sara Lee Corp. ($100 million).

Companies with an initial foreign capital of at least 500 million forints ($5 million) enjoy a 100-percent tax holiday during the first 5 years and 60 percent tax relief during the following 5 years if their investment is in priority sectors (such as environmental protection, vehicle manufacturing, engineering, packaging, pharmaceuticals and companies that use technology considered "high-tech"). Although the authorities are expected to phase out some other highly favorable tax breaks tailored for foreign investors, the corporate income tax rate was reduced from 40 to 36 percent in January 1994.

According to Mr. N. Jaggers, representative of the Bank of England to an OECD conference dealing with investment activities in the former Eastern bloc, much of Hungary's remarkable success in attracting foreign investment stems from its long-standing presence on the international bond market. He suggested that foreign investors view Hungary's familiar presence and track record of payments as highly attractive features in its investment environment. During 1993, the Hungarian National Bank raised $3.8 billion on international capital markets.

Poland

At the end of 1993, foreign capital invested in Poland amounted to roughly $2.6 billion. The distribution of capital was as follows: Industry and construction (70 percent), transport communications, and trade (20 percent), housing and communal services (2 percent), other activates (8 percent). With a total of $1.0 billion in investments, U.S. firms are in the lead, followed by firms from Italy and Germany. The largest U.S. investors are Coca-Cola Co. ($170 million) International Paper Co. ($120 million), and Curtis International, Inc. ($100 million).

Poland emphasizes the national treatment of foreign firms.Corporate profit tax is 40 percent for all companies, regardless of foreign participation. Nevertheless, tax exemptions are granted to wholly or partially foreign owned companies on a case-by-case basis. The criteria to obtain preferential tax treatment are that foreign investment must exceed 2 million ECUs and the company should either promote the transfer of technology, or export at least 20 percent of its total output, or it must be located in a region where unemployment is relatively high. Among the CEFTA countries, Poland represents the largest national market.

Czech Republic

At the end of 1993, foreign capital invested in the Czech Republic amounted to roughly $2.0 billion. The distribution of capital was as follows: consumer goods and tobacco production (27 percent), transport equipment production (21 percent), construction (13 percent), food processing (10 percent), banking (9 percent) and other activities (20 percent). With investments amounting to approximately $0.6 billion, U.S. firms shared the first place with firms from Germany, followed by firms from Austria and France. The largest U.S. investors are Philip Morris, Inc. ($215 million), K Mart Corp. ($70 million), and Procter and Gamble Co. (44 million).

The Czech Republic emphasizes national treatment of foreign companies. The corporate income tax was reduced from 45 percent during 1993 to 42 percent during 1994, and the Government plans to approximately 35 percent. Business executives from the industrialized countries praise the Czech Republic's new commercial code that affords them a legal environment comparable with that of their respective home countries. International financial experts

consider the Czech Republic the most creditworthy among CEFTA members.

Slovakia

At the end of 1993, foreign capital invested in Slovakia amounted to $350 million. The distribution of capital was as follows: Manufacturing (50 percent), retail trade and transportation (20 percent), banking and insurance (10 percent), real estate (6 percent), other sectors (14 percent). With investments totaling $43 million, firms from the United States were in third place after firms from Germany and Austria. Firms from the Czech Republic were the fourth-largest investors. The largest U.S. investors are as follows: K Mart Corp. ($30 million), Whirlpool Corp. ($6 million), and Philip Morris, Inc. ($5 million).

Foreign firms locating in areas where there is a concentration of heavy industry enjoy 2 years of complete tax holiday. If foreign capital in a mixed firm in such areas exceeds 70 percent, 70 percent of the tax liabilities are waived during the following 2 years. Firms in areas other than the ones specified above that have at least 1 million DM foreign capital and/or foreign participation exceeding 30 percent, enjoy a tax holiday of 1 full year and a 30-percent reduction in tax liabilities during the following 2 years. Firms with less than 30 percent foreign capital and less than 1 million DM foreign capital get 1 full year of tax holiday. In each of the above categories, banks with foreign participation receive more tax relief than manufacturing firms. Slovak officials say that they intend to attract $2.5 billion in foreign investment over the next decade.

Capital Inflows Stimulate Trade

The growing foreign capital investment in the CEFTA countries stimulates their trade with the industrialized countries. Some of the capital inflow generates bilateral exchange of commodities between the CEFTA host country and the foreign investor's home country. For example, shipments of machinery and equipment by General Motors Corp. and General Electric Corp. have increased U.S. exports to Hungary. In turn, the shipments of some of their output (for example, automobile parts and light bulbs, respectively) to the United States increased U.S. imports from Hungary.

U.S. trade (exports plus imports) with the CEFTA countries increased from $1.5 billion during 1990 to $1.7 billion during 1991 and to $2.3 billion during 1992. Projections based on year-to-date data indicate that U.S.-CEFTA trade reached $2.8 billion during 1993. Poland is the largest regional U.S. trading partner, followed by Hungary, the Czech Republic and Slovakia.

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STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, Jan. 1990-Dec. 1993.
(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1990	1991	1992	1993 I	1993 II	III	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
United States	0.0	-1.8	2.3	5.5	2.3	2.4	2.4	2.4	2.4	4.8	8.4	10.8	8.4
Japan	4.5	2.2	-7.6	(1)	(1)	(1)	-2.9	1.9	-2.2	(1)	(1)	(1)	(1)
Canada	0.3	-1.0	0.5	(1)	(1)	(1)	-0.2	1.2	-2.2	(1)	(1)	(1)	(1)
Germany	5.9	3.2	-1.4	(1)	(1)	(1)	1.0	-0.3	(1)	(1)	(1)	(1)	(1)
United Kingdom	-0.6	-3.0	-0.3	(1)	(1)	(1)	2.1	-0.5	(1)	(1)	(1)	(1)	(1)
France	1.3	0.6	-1.3	(1)	(1)	(1)	0.2	-0.3	(1)	(1)	(1)	(1)	(1)
Italy	-0.6	-1.8	-0.6	(1)	(1)	(1)	5.1	-2.8	(1)	(1)	(1)	(1)	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, Nov. 20, 1992; *Federal Reserve Statistical Release*; Jan. 14, 1994; and *International Financial Statistics*, International Monetary Fund, June 1993.

Consumer prices, by selected countries and by specified periods, Jan. 1990-Nov. 1993
(Percentage change from same period of previous year)

Country	1990	1991	1992	1992 IV	1993 I	II	III	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
United States	5.4	4.2	3.0	3.0	3.2	3.1	2.7	3.2	3.2	3.0	2.8	2.8	2.7	2.8	2.8
Japan	3.1	3.3	1.6	1.0	1.3	0.9	1.8	0.9	0.9	0.9	1.9	1.9	1.5	1.3	0.9
Canada	4.8	5.6	1.5	1.8	2.1	1.7	1.7	1.8	1.8	1.6	1.6	1.7	1.9	1.9	1.9
Germany	2.7	3.5	4.0	3.7	4.3	4.2	4.2	4.3	4.2	4.2	4.3	4.2	4.0	3.9	3.7
United Kingdom	9.5	5.9	3.7	3.0	1.8	1.3	1.6	1.3	1.3	1.2	1.4	1.7	1.8	1.4	1.4
France	3.4	3.2	2.4	1.8	2.1	2.0	2.2	2.1	2.0	1.9	2.1	2.2	2.3	2.2	2.2
Italy	6.4	6.4	5.1	4.7	4.5	4.5	(1)	4.6	4.2	4.4	4.5	4.5	4.2	4.5	(1)

[1] Not available.

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, Dec. 1993.

Unemployment rates, (civilian labor force basis)[1] by selected countries and by specified periods, Jan. 1990-Oct. 1993

Country	1990	1991	1992	1993 I	II	III	Apr.	May	June	July	Aug.	Sept.	Oct.
United States	5.5	6.7	7.4	7.0	7.0	6.7	7.0	6.9	7.0	6.8	6.7	6.7	6.8
Japan	2.1	2.1	2.2	2.3	2.4	2.6	2.3	2.6	2.6	2.6	2.6	2.6	(2)
Canada	8.1	10.3	11.3	11.0	11.4	11.4	11.4	11.4	11.3	11.6	11.3	11.2	11.1
Germany[3]	5.2	4.4	4.7	5.4	5.8	6.1	5.7	5.8	5.9	6.0	6.1	6.2	6.4
United Kingdom	6.9	8.9	10.0	10.7	10.5	10.3	10.5	10.4	10.4	10.5	10.3	10.3	10.1
France	9.2	9.8	10.2	10.6	11.0	11.3	10.9	11.0	11.2	11.3	11.3	11.4	(2)
Italy[4]	7.0	6.9	7.3	9.4	10.8	10.6	(5)	(5)	(5)	10.6	(5)	(5)	(5)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.
[2] Not available.
[3] Formerly West Germany.
[4] Many Italians reported as unemployed did not actively seek work in the past 30 days, and they have been excluded for comparability with U.S. concepts. Inclusion of such persons would increase the unemployment rate to 11-12 percent in 1989-1990.
[5] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, Jan. 1994.

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Money-market interest rates,[1] by selected countries and by specified periods, Jan. 1990-Nov. 1993
(Percentage, annual rates)

				1993										
Country	**1990**	**1991**	**1992**	**I**	**II**	**III**	**Mar.**	**Apr.**	**May**	**June**	**July**	**Aug.**	**Sept.**	**Oct.**	**Nov.**
United States	8.3	5.9	3.6	3.2	3.1	3.1	3.2	3.1	3.1	3.2	3.1	3.1	3.1	3.2	3.3
Japan	7.7	7.3	4.4	3.4	3.2	(2)	3.3	3.2	3.2	3.2	3.2	3.0	2.6	2.4	(2)
Canada	13.0	9.0	6.7	6.3	5.1	(2)	5.6	5.4	5.2	4.9	4.5	4.5	4.9	4.7	(2)
Germany	8.4	9.1	9.4	8.2	7.5	(2)	7.8	7.8	7.4	7.5	7.1	6.4	6.5	6.5	(2)
United Kingdom	14.7	11.5	9.5	6.3	5.8	(2)	5.9	5.9	5.9	5.8	5.8	5.7	5.9	5.7	(2)
France	10.2	9.5	10.1	11.4	7.7	(2)	10.9	8.7	7.4	7.1	7.7	7.4	7.1	6.8	(2)
Italy	12.1	12.0	13.9	11.7	10.7	(2)	11.3	11.4	10.7	10.1	9.4	9.2	9.0	8.7	(2)

[1] 90-day certificate of deposit.
[2] Not available.
Source: *Federal Reserve Statistical Release*, Dec. 20, 1993 *Federal Reserve Bulletin*, Dec. 1993.

Effective exchange rates of the U.S. dollar, by specified periods, Jan. 1990-Dec. 1993
(Percentage change from previous period)

					1993							
Item	**1991**	**1992**	**1993**	**I**	**II**	**III**	**IV**	**Aug.**	**Sept.**	**Oct.**	**Nov.**	**Dec.**
Unadjusted:												
Index[1]	98.5	97.0	100.1	101.3	98.1	99.6	101.2	99.6	99.0	100.1	101.3	102.1
Percentage change	-1.5	-1.5	3.1	2.4	-3.2	1.4	1.6	-.5	-.6	1.1	1.2	.8
Adjusted: Index[1]	101.1	100.9	104.2	105.6	103.0	103.7	104.1	103.4	102.7	103.1	103.9	104.2
Percentage change	1.0	-.1	3.3	2.5	-2.5	.7	.4	-1.7	-.7	.4	.8	.3

[1] 1990 average=100.
Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations.The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.
Source: Morgan Guaranty Trust Co. of New York, Jan. 1994.

Trade balances, by selected countries and by specified periods, Jan. 1990-Nov. 1993
(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

				1992	1993						
Country	**1990**	**1991**	**1992**	**IV**	**I**	**II**	**III**	**Aug.**	**Sept.**	**Oct.**	**Nov.**
United States[1]	-101.7	-65.4	-84.3	-86.3	-103.1	-122.5	-125.4	-120.5	-127.4	-130.7	-122.0
Japan[3]	63.7	103.1	132.4	142	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Canada	9.4	4.9	8.9	14.4	9.8	12.5	(2)	7.1	(2)	(2)	(2)
Germany[3]	65.6	13.5	32.0	28.8	35.2	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom[3]	-33.3	-17.9	-24.5	-14.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)
France[3]	-9.2	-5.4	1.7	3.6	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Italy[3]	-10.0	-12.8	2.1	12.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f.value.
[2] Not available.
[3] Converted from ECU to dollars.
Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, Nov. 20, 1992; *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Jan. 19, 1994; *Canadian Economic Observer*, Nov. 1993 and *Eurostatistics Short-term Trends*, Oct. 1993.

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U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1990-Nov. 1993
(In billions of dollars)

Country	1990	1991	1992	1992 IV	1993 I	1993 II	1993 III	Aug.	Sept.	Oct.	Nov.
Commodity categories:											
Agriculture	16.3	16.2	18.6	5.7	4.9	3.9	3.4	1.0	1.2	1.8	1.8
Petroleum and selected product—(unadjusted)	-54.6	-42.3	-43.9	-11.7	-11.0	-12.7	-11.3	-3.7	-3.8	-4.1	-3.7
Manufactured goods	-90.1	-67.2	-86.7	-26.5	-21.0	-25.3	-36.2	-11.5	-12.4	-12.2	-12.0
Selected countries:											
Western Europe	4.0	16.1	6.2	-.8	3.5	-0.9	-2.8	-.8	-.3	-.2	-1.1
Canada[2]	-7.7	-6.0	-7.9	-2.8	-2.5	-2.8	-2.1	-.5	-1.1	-1.2	-1.0
Japan	-41.0	-43.4	-49.4	-14.7	-13.2	-14.4	-15.2	-5.2	-5.3	-6.1	-5.7
OPEC (unadjusted)	-24.3	-13.8	-11.2	-3.4	-3.0	-3.4	-3.6	-1.2	-1.1	-.7	-.7
Unit value of U.S. imports of petroleum and selected products (unadjusted)	$19.75	$17.42	$16.80	$17.37	$16.24	$16.49	$14.63	$14.53	$14.37	$14.60	$13.69

[1] Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.
[2] Beginning with 1989, figures include previously undocumented exports to Canada.
Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Jan. 19, 1994.

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